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TAGS: [PREL](#) [PGOV](#) [CH](#) [KN](#) [KS](#)
SUBJECT: EAP PDAS STEPHENS DISCUSSES KOREA WITH CCID
DIRECTOR GENERAL MIAO WEICHENG

Classified By: Political Minister Counselor Daniel Shields. Reasons 1.
4 (b) and (d).

Summary

1. (C) Resumption of the Six-Party Talks in December 2006 was highly significant and no easy task, Miao Weicheng, Acting Director General for Asia at the International Department of the Communist Party Central Committee (CCID), told visiting EAP PDAS Kathy Stephens on January 16. Financial issues remain Pyongyang's paramount concern, Miao stated, urging the United States to show flexibility on financial issues in order to induce Pyongyang to make concessions on nuclear issues. According to Miao, recent DPRK newspaper editorials suggest possible important changes in North Korean economic policy, with an emphasis on economic development and improving the North Korean people's standard of living. PDAS Stephens said the United States is extremely serious about our joint effort to solve the North Korean nuclear problem, but Pyongyang needs to engage seriously and begin to implement the 2005 Joint Statement. Miao said China is greatly concerned about the North Korean issue because Beijing desires to create a peaceful and stable international environment enabling it to concentrate on domestic challenges. He expressed concern that changes in South Korean domestic politics could be destabilizing for the Korean Peninsula, noting the rise in the conservative Grand National Party's popularity. End Summary.

North Korea: Six-Party Talks

2. (C) Resumption of the Six-Party Talks in December 2006 was highly significant, Miao Weicheng, Acting Director General for Asia at the International Department of the Communist Party Central Committee (CCID), told visiting EAP PDAS Kathy Stephens on January 16. Getting the DPRK back to the negotiating table was no easy task, particularly in light of Pyongyang's missile and nuclear tests, as well as its previous insistence that financial issues be resolved first. Nevertheless, it is clear that financial issues remain Pyongyang's paramount concern. Because "sanctions" were imposed right after the conclusion of the 2005 Joint Statement, the DPRK has doubts regarding implementation of that agreement. DG Miao urged the United States to show flexibility on the financial issues in order to induce Pyongyang to make concessions on nuclear issues. He also advocated direct talks between the United States and North Korea and welcomed reports that U.S.-DPRK financial discussions will be held soon and that A/S Christopher Hill will travel to the region this weekend. Direct dialogue will increase mutual understanding and enable progress on both financial and nuclear issues, Miao argued, emphasizing that these were his personal views.

13. (C) Acting DG Miao pointed to a number of remaining challenges in the Six-Party talks. DPRK VFM Kim Gye-gwan apparently was not authorized to discuss U.S. and Chinese proposals at the last round of Six-Party Talks. The DPRK also has a "strong sense of self-esteem," meaning that issues of face are involved in its stance on financial sanctions, Miao said. Mutual distrust and Pyongyang's miscalculations based on its isolation and reliance on third parties to convey its messages are other obstacles to solving the North Korean nuclear issue, Miao argued, again making the case for direct dialogue between Washington and Pyongyang. In addition, some believe that the United States pays more attention to the Middle East, especially Iraq and Iran, than it does to the Six-Party Talks. North Korea is serious about talks with the United States, Miao asserted, arguing that North Korea has long had as its goal the improvement of relations with Washington.

14. (C) Recent DPRK newspaper editorials suggest possible important changes in North Korean economic policy, Miao stated. According to these editorials, economic development and improving the people's standard of living are priorities for the DPRK government. In the North Korean economy, investment is minuscule, volume of foreign trade is low and limited mostly to China and South Korea, and domestic consumption has risen only slowly. These economic challenges are an additional reason why the DPRK is so concerned about the financial issue, Miao said.

15. (C) PDAS Stephens said the United States is extremely serious about working with our partners to solve the North Korean nuclear problem and implement the 2005 Joint Statement. Despite the lack of progress in the last round, we hope Pyongyang is considering the ideas presented by

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China and the United States in December. We continue to have doubts about Pyongyang's readiness to engage seriously on implementing the Joint Statement. We are ready to continue discussions on the financial issues with the North Koreans, though we remain puzzled why Pyongyang would be willing to sacrifice everything for the sake of USD 24 million in Banco Delta Asia-related accounts. It is entirely unacceptable for another country to counterfeit U.S. currency and then take no responsibility for it, PDAS Stephens underscored. She assured DG Miao that the United States is a great power with great responsibilities and that we have the ability to pay attention to a range of issues around the world simultaneously. It would be a serious miscalculation for Pyongyang to think that it could wait in the hopes of getting a better deal down the line, she stated. PDAS Stephens expressed the hope that, working together with our other four partners in the Six-Party process, we can make progress.

China's Stance

16. (C) Miao said China is greatly concerned about the North Korean issue because Beijing wants to create a peaceful and stable international environment enabling it to concentrate on domestic challenges. This year and next are particularly important for domestic stability, given the 17th Party Congress scheduled for this fall in Beijing and next year's Beijing Olympics. China's myriad domestic problems include rural issues, regional economic disparities and environmental degradation, as well as resource allocation and employment challenges.

South Korean Politics

17. (C) Miao expressed concern that changes in South Korean domestic politics could be destabilizing for the Korean Peninsula. The Grand National Party appears to be gaining

in popularity, Miao said, noting that politicians such as former Seoul Mayor Lee Myung-bak and former GNP leader Park Keun-hae are popular and viewed as possible presidential candidates. A general election at the end of this year could, therefore, bring into power a new ruling party. If that were the GNP, South Korean policy toward Pyongyang would likely become much tougher and this could lead to increased distrust, misunderstanding and instability on the Korean Peninsula. PDAS Stephens replied by emphasizing U.S. appreciation for South Korea's democratic process and stating our desire not to interfere in the ROK's domestic politics. She told DG Miao that in terms of foreign policy principles, there may be less difference among ROK political parties than is apparent, as a majority of South Koreans favor some degree of dialogue with the North. South Korea and the United States have different, important roles to play in resolving the North Korea problem, PDAS Stephens stated.

18. (U) PDAS Stephens cleared this message.
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